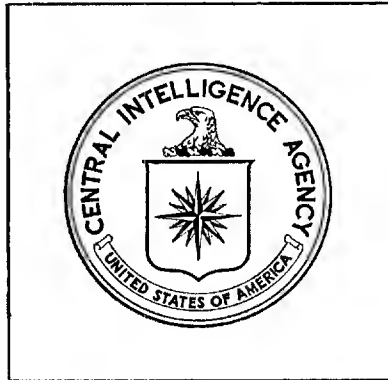


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*Communist Aid and Trade Activities
in Less Developed Countries, July 1975*

Secret

ER RP 75-24
August 1975

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CONTENTS AND SUMMARY OF EVENTS
(July 1975)

Highlights

The USSR took major steps to strengthen economic relationships with its old aid clients in July. These included

- a comprehensive proposal for development of Egypt's Abu Tartus phosphate deposits, whose credit requirements could top US \$900 million;
- an agreement with Turkey that may eventually provide \$700 million in new Soviet credits; and
- aid contracts with Argentina and Brazil to supply \$185 million in power generating equipment.

China's continuing interest in Africa was pointed up by new aid agreements totaling \$110 million with the Malagasy Republic and Mozambique.

Romania will gain access to Western offshore oil technology under its first pact with Trinidad and Tobago.

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Africa

Continued Chinese Interest in Africa 1

The extension of \$126 million in new credits to Mozambique, the Malagasy Republic, and Guinea Bissau highlighted China's increased economic contacts with Africa during July.

Increased Communist Military Deliveries to Libya 2

Communist countries reportedly delivered more than [REDACTED] tanks, as well as recovery vehicles, infantry combat vehicles, and amphibious tanks, to Libya between April and July 1975.

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The USSR's increasing interest in assisting hydropower development in Latin America was underscored in July by the conclusion of new aid contracts valued at \$185 million with Argentina and Brazil.

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Peru's Foreign Minister visited Moscow during July to resume negotiations for additional Soviet assistance to fisheries development and agriculture.

Trinidad and Tobago Expands Economic Relations with Communist Countries	3
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Romania signed economic agreements with Trinidad and Tobago calling for cooperation in geological prospecting and in the petroleum, steel, cement, and aluminum industries.

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In spite of the failure to resolve the military debt repayment question during talks in Moscow, the USSR presented Egypt with a comprehensive proposal to develop the Abu Tartus phosphate deposits. The credit requirements for the project could run as high as \$930 million.

Egyptian Air Defense Officers To Train in the USSR	4
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Egypt plans to send an unspecified number of air defense personnel to the USSR in September for 18 to 24 months of training.

China Signs Oil Contract with Iran	4
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China's first petroleum contract with Iran calls for the purchase of 4,000 barrels a day of crude beginning in August.

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On 4 July, Iraq signed a cooperation agreement with the Council for Mutual Economic Assistance (CEMA), culminating almost three years of negotiations. CEMA's only other agreement with a non-Communist state is with Finland.

Progress on Major Soviet Oil Projects in Iraq	5
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During July, Iraq inaugurated the third stage at the North Rumaila oilfield, the start of production at the Nahr Umar oilfield, and first stage construction of the Baghdad-Basra petroleum products pipeline.

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Syria received [REDACTED] MI-8s in July, its first delivery of Soviet helicopters in more than a year.

Turkey Concludes Major New Economic Agreement with USSR	6
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On 9 July the USSR and Turkey concluded an economic and technical cooperation agreement that eventually may provide \$600 to \$700 million of Soviet aid for industrial development.

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COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES
JULY 1975

Africa

Continued Chinese Interest in Africa

China substantially increased economic contacts with sub-Saharan African countries during July. Highlighting this activity were credit agreements, each valued at \$55 million, signed with both Mozambique and the Malagasy Republic. The \$55 million to Mozambique accounts for half of existing bilateral pledges to the new government; part of it probably is allocated to agricultural development, requested earlier by Mozambique. The \$55 million in credits to the Malagasy Republic will be used for road construction, a sugar refinery, and agricultural projects. Peking also signed an economic and technical assistance agreement during July with Guinea Bissau that provides \$16 million in development credits. The new agreements bring Chinese pledges to Africa to almost \$186 million thus far in 1975. (Secret No Foreign Dissem)

Tanzania and Zambia, which together have received more than \$600 million of Chinese aid, sent trade delegations to Peking to purchase Chinese goods for financing local costs of Chinese development projects. In 1974 the two countries received new Chinese aid totaling \$126 million, mostly for transportation and agriculture. (Unclassified)

Mozambique, Somalia, Tanzania, and Zambia hosted a delegation from the Chinese central bank, which hoped to establish closer relationships to facilitate trade and aid transactions. Peking also sent a friendship delegation to Congo, Mauritania, Sierra Leone, and Zaire. (Unclassified)

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [REDACTED] of the Office of Economic Research, Code 143, Extension 5291.

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China was reported to have turned down the request of the Organization of Senegal River States* to construct the Manantali Dam in Mali after extensive surveys because of its high cost. Preliminary reports made in 1973 put the foreign exchange cost of the dam at \$120 million. Western financing will now be sought for this project, which is designed to improve transportation, irrigation, and power supply in the three participating countries. (Confidential)

Increased Communist Military Deliveries to Libya

Communist arms carriers made at least 15 calls at Tripoli between April and July 1975. Deliveries included more than [REDACTED] tanks as well as recovery vehicles, infantry combat vehicles, and amphibious tanks. (Secret No Foreign Dissem)

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The urgent need for additional maintenance personnel to prevent the deterioration of new equipment has forced Libya to agree to permit entrance of up to 600 Soviet personnel into the country to service Libya's expanding inventory of Soviet equipment. [REDACTED]

25X1D

Latin America

*USSR Signs New Power Equipment Contracts
with Latin American Countries*

The increasing Soviet interest in hydropower development in Latin America was underscored early in July by the conclusion of new aid contracts valued at \$185 million with Argentina and Brazil. In an unusual move the USSR also took steps to ensure financing for local construction costs through normal commercial channels. (Confidential)

On 2 July, Argentina and the USSR concluded contracts totaling \$133 million under a credit agreement signed in 1974. The new contracts call for two 310,000-kw turbogenerator boiler units for installation at the Lujan de Cuyo and San Nicolas powerplants. The value of contracts under the 1974 credit now stands at more than \$188 million, exclusive of downpayments. In conjunction with the new contract with Argentina, the Soviet Foreign Trade Bank co-managed a syndicated commercial loan for \$50 million to cover the local construction costs on the two

* Mali, Mauritania, and Senegal.

plants and one additional project. Previously, the USSR provided \$10 million in local funds under credit for the Salto Grande Project. (Confidential)

In a July contract with Brazil, the USSR agreed to provide \$52 million worth of turbines for the Sobradinho hydroelectric project beginning in 1977 under an existing credit agreement. Under the same credit, Moscow also is providing turbines for a powerplant at Capivara, scheduled for completion in 1976. Moscow Narodny Bank was co-manager of a \$140 million loan for Brazil's local cost funding of the Capivara plant and other power-related projects. Negotiations are continuing for Soviet participation in Western consortium arrangements to finance the Itaipu hydroelectric project on the Brazilian-Paraguayan border, which will be the world's largest hydroelectric project. (Confidential)

Peru and USSR Discuss Further Soviet Aid

Peru's Foreign Minister visited Moscow during July to resume negotiations for additional Soviet assistance for fisheries and agriculture. Also discussed was an increase in the Soviet commitment to the Olmos irrigation project, for which Moscow already is doing design and land preparation work. The USSR's only credit to Lima - \$25 million extended in 1970 - is fully allocated to other uses. (Unclassified)

Trinidad and Tobago Expands Economic Relations with Communist Countries

Trinidad and Tobago's Prime Minister made his first visit to the USSR and Romania during July to discuss trade and economic cooperation. No agreements were signed in Moscow, but the USSR did agree to send a delegation to Port of Spain in August for further discussions on project assistance. (Confidential)

Wide-ranging agreements with Romania, signed during the visit, call for Romania to provide equipment and personnel for a tractor assembly plant. Feasibility studies on the project are to be completed by the end of 1975. Other projects specified under the agreement include geological studies, onshore petroleum drilling and production equipment, refineries, a petrochemical complex, and cooperation in the steel, cement, and aluminum industries, possibly as joint ventures. Romanian technicians are expected in Trinidad later this year to study means to arrest the decline in output of petroleum and natural gas. In return, Trinidad will provide training for Romanian personnel in offshore petroleum production. (Confidential)

Near East and South Africa

Soviet-Egyptian Economic Relations

Inconclusive talks on rescheduling Cairo's military debt repayments were held in Moscow in July. Egypt has been seeking an extension of the 10-year moratorium on military aid repayments, which expired in 1974. In spite of Moscow's hard stand at the meetings and its insistence on immediate payment of some \$200 million in arrears, Moscow undoubtedly wants to continue the dialogue. Meetings will be resumed in Cairo in September, at which time development projects, as well as the debt question, will be discussed. (Confidential)

In July, Moscow presented a comprehensive plan to develop Egypt's Abu Tartus phosphate deposits. Soviet technicians recently completed studies on the project. Estimated credit requirements run as high as \$930 million - \$255 million for foreign exchange costs for Soviet mining and concentrating equipment and \$675 for infrastructure, such as railroad and port construction at Safaga on the Red Sea. The USSR is expected to ask for at least partial repayment in phosphates. (Confidential)

At least \$600 million of new Soviet credits (probably on five-year terms) would be required if Egypt accepts the Soviet proposal. The rest might be covered by \$330 million in outstanding credits that Moscow agreed in principle last year to reallocate to new projects under Egypt's prospective new development plan (1976-80). (Confidential)

Egyptian Air Defense Officers To Train in the USSR

Egypt plans to send an unspecified number of air defense personnel, probably all of staff rank, to the USSR in September for 18 to 24 months of training. Although the specific nature of the training was not revealed, to qualify for the program, trainees must have formal schooling in chemistry, explosives, and ammunition prior to their departure for the USSR. (Secret No Foreign Dissem)

China Signs Oil Contract with Iran

China's first petroleum contract with Iran calls for the purchase of 4,000 barrels a day of crude valued at \$16 million. Delivery is to begin in August. This is China's third oil transaction with a Middle Eastern producer. Last year, Algeria

and Iraq agreed to supply China with a combined total of 14,000 b/d of crude oil. (Secret No Foreign Dissem)

CEMA Signs First Agreement with Third World Country

On 4 July, Iraq signed a cooperation agreement with the Council for Mutual Economic Assistance (CEMA), culminating almost three years of negotiations. This is CEMA's first agreement with an LDC, and only its second with a non-Communist state. The other was a 1972 accord with Finland. Both agreements are similar except that the Iraqi agreement contains special sections on production and transportation of petroleum and natural gas and the development of Iraq's petrochemical industry. The USSR and Eastern Europe undoubtedly hope that closer ties with Baghdad will result in a larger flow of Iraqi oil to CEMA countries at favorable prices. CEMA may now seek a suitable project in Iraq for financing by the International Investment Bank, CEMA's multilateral aid agency. Since it began operations in January 1974 the bank has not committed any funds to LDCs. (Confidential)

Progress on Major Soviet Oil Projects in Iraq

During July, third stage operations began at the North Rumaila oilfield, production started at the Nahr Umar oilfield, and first stage construction was initiated on the Baghdad-Basra petroleum products pipeline -- all major Soviet aid undertakings in Iraq. (Unclassified)

North Rumaila contains about 20% of the country's total proved oil reserves. First stage capacity of 100,000 b/d at this largely Soviet-developed field was completed in 1972, and work on the second stage (with capacity at 360,000 b/d) was completed in 1974. The third stage is expected to raise capacity to more than 800,000 b/d. Nevertheless, because of pressurization problems at the field, production has been running far below rated capacity. Production currently amounts to about 150,000 b/d -- less than 10% of Iraq's crude oil output -- and is not expected to reach more than one-half of the 800,000 b/d capacity for the next few years. Output at Nahr Umar is at an initial 10,000 b/d and is expected to rise eventually to 40,000 b/d. Work at both Rumaila and Nahr Umar was financed under a \$67 million 1969 Soviet credit, which is repayable over seven years in crude oil. (Confidential)

Completion of the 375-mile pipeline to carry petroleum products between Baghdad and Basra is scheduled for 1976. Moscow is providing \$11 million of

assistance to the project under a 1971 credit, which is repayable in oil.
(Confidential)

USSR Resumes Helicopter Deliveries to Syria

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Syria received its first delivery of helicopters from the USSR in more than a year with the arrival of [REDACTED] MI-8s ordered last November [REDACTED]

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[REDACTED] Each of these aircraft can carry 24 fully equipped troops, augmenting Syrian helicopter troop carrying capacity by almost 20%. (Secret No Foreign Dissem)

Syria's helicopter inventory now includes 44 MI-8s and 5 MI-4s; the MI-4s carry 16 fully equipped troops. In addition, Syria has nine KA-25s, which have an antisubmarine warfare capability. (Secret No Foreign Dissem)

Turkey Concludes Major New Economic Agreement with USSR

On 9 July the USSR and Turkey concluded an economic and technical cooperation agreement that eventually may provide \$600-\$700 million of Soviet aid for several industrial undertakings. Separate agreements will be signed specifying the amounts of aid for financing individual projects. Chief among these is the expansion of the Soviet-financed Iskenderun steel complex up to 4 million metric tons annually. According to the new agreement, the Soviet-built Seydischir aluminum plant also will be expanded. New projects include two lignite fueled 400-MW powerplants at Can and Orhaneli. (For Official Use Only)

The USSR has extended \$530 million of aid previously to Turkey; about \$400 million was earmarked for the Iskenderun complex. The remainder went for the aluminum complex, an oil refinery, and a fiberboard factory. Repayments are being made in output from the plants and agricultural goods. (For Official Use Only)

OTHER ACTIVITIES

Economic

Africa

Algeria. The Romanian Minister of Petroleum was in Algiers at the end of July to discuss cooperation in mining, petroleum, and geology. (Unclassified)

Central African Republic (CAR). A CAR forestry delegation visited Romania during July to discuss prospects for merging the operations of an existing jointly owned lumber enterprise with a firm nationalized by the CAR last year. (For Official Use Only)

Guinea Bissau. The Portuguese press reports that a recently signed fishing agreement with the USSR has resulted in a 50% decrease in the price of fish and products on the domestic market. The USSR has provided five fishing trawlers as its contribution to a joint fishing venture in which the USSR holds 49% interest. (Unclassified)

Mali. The USSR and Mali signed a protocol that allocates \$2.9 million to continued Soviet prospecting for gold in the Kalana region from 1976 to 1978. (Unclassified)

Mauritius. The Mauritian government is studying a draft trade agreement submitted by the USSR in June. If signed, the trade agreement would be Mauritius' first with any country since independence in 1968. (Unclassified)

Latin America

Brazil. A group of Brazilian businessmen in July concluded trade contracts to sell China pharmaceutical products and to buy antimony and zinc. (Unclassified)

Ecuador. Ecuador and China signed their first official trade agreement, calling for the establishment of reciprocal permanent trade missions. China also signed a contract under the agreement to purchase \$2.9 million worth of bananas. (Unclassified)

Mexico. According to Mexican data, trade with China rose to \$62 million in 1974, seven times the 1973 level. The two countries signed their first official trade agreement in 1973. (Unclassified)

Near East and South Asia

Bangladesh. In July the USSR began delivery of \$2.6 million worth of edible oil under a 1974 credit. (Unclassified)

Egypt. During a visit to Poland, Egypt's Minister of Economy signed agreements designed to continue Polish assistance for Egyptian industrial

development. Poland also agreed to permit Egypt to pay for \$2.4 million worth of textile machinery in domestic products rather than hard currency as specified in the original purchase contract. (Unclassified)

Iraq. Early in July an Iraqi delegation to China signed agreements to develop cooperation under existing trade and economic agreements. China has been slow in implementing a \$45 million credit extended to Iraq in 1971. Later in the month, China began construction on a bridge over the Mosul River. (Unclassified)

East Germany signed a \$16 million contract to supply 84 railroad cars, technicians, and training for Iraqi personnel. (Unclassified)

Pakistan. The USSR has begun supplying equipment for a third generator at the Guddu powerplant under a \$30 million allocation from a 1973 credit. Czechoslovakia supplied the other two units under credits extended in 1966. (Unclassified)

Syria. East Germany and Syria concluded agreements on 5 July under which East Germany will build eight new furnaces in cement plants at Aleppo, Damascus, Homs, and Tartus. These plants are already under construction with East German assistance. It is not clear whether the \$190 million contract will involve new aid. East Germany extended \$45 million in credits to finance the original plants in 1966. (Unclassified)

Military

Africa

Central African Republic (CAR). A CAR military contingent in Moscow reportedly concluded an arms accord in early June under which the USSR will reequip the CAR's armed forces. Moscow had previously provided arms under a 1974 grant aid agreement for ground force materiel. No details on the quantities of equipment covered under the new agreement are available, but the limited size of the CAR's armed forces indicates a contract of relatively small size. (Secret No Foreign Dissem)

Guinea. A Guinean delegation was in Moscow at the invitation of Soviet Defense Minister Grechko to discuss the development of closer military ties. (Unclassified)

Nigeria. The first deliveries of the Soviet MIG-21 jet fighter arrived in Nigeria before the 29 July coup. [REDACTED] MIG-21s were contracted for in August 1974. (Secret No Foreign Dissem)

Senegal. A Senegalese military delegation led by the Chief of the General Staff visited China and North Korea during July, Senegal's first official military contacts with the two countries. (Unclassified)

Sudan. Sudan's Chief of General Staff reported on his return from Moscow that negotiations on obtaining aircraft and spare parts at reduced prices and on better terms were successful and that the USSR was ready to meet the Sudanese military requests. (Unclassified)

Near East and South Asia

Sri Lanka. A Sri Lanka delegation headed by the commander of the navy departed for the USSR on 31 July for a week's stay. The delegation probably will inspect the \$11 million training ship the USSR agreed to donate to Sri Lanka's navy last November. (Unclassified)

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